

# EXHIBIT J

ROBERT F. KLUEGER  
In re GGW BRANDS

May 24, 2013  
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UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION

In re:

GGW BRANDS, LLC,  
GGW DIRECT, LLC,  
GGW EVENTS, LLC,  
and GGW MAGAZINE, LLC,

Debtors.

Case No. 2:13-bk-15130-SK

DEPOSITION OF

ROBERT F. KLUEGER

May 24, 2013

1:00 p.m.

1999 Avenue of the Stars  
39th Floor  
Los Angeles, California

Karen Aligo, CSR No. 13418



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1 DEPOSITION OF ROBERT F. KLUEGER

2 May 24, 2013

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4 ROBERT F. KLUEGER,

5 sworn as a witness by the Certified Shorthand  
6 reporter, testified as follows:

7 EXAMINATION

8 BY MR. PFISTER:

9 Q. Good afternoon, Mr. Klueger.

10 A. Good afternoon.

11 Q. We met off the record. I'm Rob Pfister.

12 With me is my colleague, Jonathan Weiss. We are here  
13 as counsel to the bankruptcy trustee in the bankruptcy  
14 cases of GGW Brands, GGW Events, GGW Magazine, and  
15 GGW Direct, LLC.

16 This is a Rule 2004 examination, and we would  
17 like to ask you some questions about your prepetition  
18 representation of the debtors, the GGW entities that I  
19 mentioned.

20 When did you first begin representing the  
21 debtors?

22 A. Probably in October of 2011.

23 Q. How is it that you came to represent these  
24 companies?

25 A. Mr. Francis's CPA, Tim Devine, referred

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1 Mr. Francis to me.

2 Q. When was that?

3 A. Well, it would have been shortly before  
4 October 4, 2011.

5 Q. And you represented all four of the  
6 GGW entities that I mentioned; is that correct? I can  
7 list them again.

8 A. No, you don't have to. To a greater or  
9 lesser extent, yes.

10 Q. Help me understand the --

11 A. Well, you mentioned GGW Magazine. I don't  
12 think that I really did any work that I can recall for  
13 GGW Magazine.

14 Q. What about GGW Events?

15 A. Yes, mostly GGW Direct and GGW Brands.

16 Q. What work did you do -- well, the distinction  
17 between the work that you did for GGW Direct and  
18 GGW Brands, is there one, or did you just work on  
19 behalf of both of them?

20 A. It would be more of the latter.

21 Q. So if I just refer to those two  
22 GGW entities --

23 A. You can refer to the GGW entities, that will  
24 work.

25 Q. So I will refer to GGW Direct, LLC, and

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1 GGW Brands, LLC, as the GGW entities.

2 A. Correct.

3 Q. What work were you hired to do for the  
4 GGW entities?

5 A. The October 4th engagement letter pretty much  
6 summarizes the work that we were going to do. The  
7 principal work that we did we were engaged to do was  
8 to separate the ownership of the intellectual property  
9 from the operating companies that were operating. You  
10 know what I mean? To put the ownership of the  
11 intellectual property in entities that were separate  
12 from the operating companies.

13 Q. And why was that being done?

14 A. Well, it's just basic prudence that if an  
15 operating company is sued for whatever reason, you  
16 don't want to have a creditor of the operating company  
17 be able to seize the intellectual property, which is  
18 an asset of the operating company.

19 The intellectual property itself may have  
20 nothing whatever to do with the creditor's claim, may  
21 be a tort claim of some sort, but you don't want to  
22 have the creditor be able to access the intellectual  
23 property itself. So it's normal prudence to separate  
24 them into separate entities.

25 Sometimes this is done -- the separation is

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1 done for tax purposes -- very often it's done for tax  
2 purposes. It wasn't done for tax purposes in this  
3 case because there was no tax advantage in doing so  
4 because all of these were pass-through entities that  
5 ultimately flowed through to Joe Francis.

6 Q. So the reason for doing it, then, had nothing  
7 to do with taxes but was a matter, as you described  
8 it, as basic prudence?

9 A. Correct, nothing to do with taxes.

10 Q. Of the two GGW entities, Direct and Brands,  
11 is it your understanding that one of them is a  
12 holding company and one is an operating company?

13 A. That is my understanding. My understanding  
14 is that GGW Brands, LLC, was the owner of the  
15 operating companies GGW Direct, GGW Events and so  
16 forth.

17 Q. So Brands was the holding company?

18 A. It's my understanding, yes.

19 Q. And Direct then was the operating company?

20 A. Yes.

21 Q. Do you recall which of the two entities owned  
22 the intellectual property?

23 A. You have to understand there were hundreds of  
24 trademarks and copyrights spread over all sorts of  
25 different entities. I couldn't tell you.

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1 Q. Why wouldn't it be sufficient for the  
2 prudence matter that you identified for the  
3 intellectual property to be held by the holding  
4 company and then to have the separate legal entity,  
5 the operating company do the actual business? Why  
6 wouldn't that --

7 A. Your question is could it simply have been  
8 sufficient to just transfer all of the intellectual  
9 property to GGW Brands? Perhaps. Perhaps. I don't  
10 really think that necessarily works as well as having  
11 the intellectual property owned by an offshore entity  
12 as we did in this case. This is part science and part  
13 art. And, no, I think the better practice is to have  
14 the intellectual property owned by an offshore entity.

15 Q. Why is that? What makes an offshore entity  
16 as opposed to a United States entity?

17 A. Just more difficult for a creditor to be able  
18 to access the assets.

19 Q. So one of the entities we're going to be  
20 talking about a little bit later this afternoon is  
21 it's called Path Media Holdings; does that name sound  
22 familiar?

23 A. I believe I created Path Media Holdings.

24 Q. So Path Media Holdings is the offshore entity  
25 that this intellectual property was transferred to, to

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1 the best of your recollection?

2 A. To the best of recollection, yes.

3 Q. So tell me about how you created Path Media  
4 Holdings.

5 A. We formed a limited liability company in  
6 Nevis.

7 Q. Where is Nevis?

8 A. It's in the Caribbean.

9 Q. Have you been there?

10 A. No, not personally.

11 Q. Why Nevis?

12 A. Nevis is a good jurisdiction in which to form  
13 limited liability companies for a number of reasons --  
14 a lot of reasons. It's quick. It's cheap. They  
15 don't hassle you, which is a function of being quick  
16 and cheap. We have a good relationship with an agent  
17 that we use in Nevis. There are other jurisdictions  
18 that you can use, but I don't know any that are  
19 better.

20 Q. So it's not, again, that the specific  
21 operations of GGW Direct or GGW Brands or any of these  
22 other entities had any connection to Nevis?

23 A. Other than the fact that the intellectual  
24 property was transferred to an entity chartered in  
25 Nevis.

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1 Q. Okay.

2 A. They certainly had no operations in Nevis,  
3 that's for sure.

4 Q. That's all I'm trying to understand. I --

5 A. No, they were not operating -- they were not  
6 operating companies in Nevis.

7 Q. Wasn't because Joe Francis had a niece in  
8 Nevis or --

9 A. No, no, that's for sure.

10 Q. So you were telling me how Path Media  
11 Holdings -- how you formed it, and you said it  
12 was --

13 A. Formed it in Nevis. It was chartered in  
14 Nevis. We drafted an operating agreement for a Nevis  
15 company. We filed a form with the IRS, Form 8832,  
16 electing that the Nevis company be a disregarded  
17 entity for tax purposes.

18 Q. What does that mean?

19 A. It means that the IRS allows you to elect in  
20 certain cases not to have the earnings of an offshore  
21 corporation be subject to U.S. taxes. There was no  
22 thought in this case of deferring any taxes by forming  
23 an offshore entity. All of the taxes of the operating  
24 entities were taxable directly to Joe Francis before  
25 we did what we did, and they were taxable to

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1 Joe Francis after we did what we did.

2 So that's what we did. We formed the entity,  
3 we drafted an operating agreement, we elected that it  
4 be a nontaxable entity, and then of course we  
5 physically transferred all of the intellectual  
6 property to the entity.

7 Q. When you say "physically transferred," what  
8 do you mean?

9 A. We assigned the trademarks to the offshore  
10 entity and registered the assignments with U.S. Patent  
11 Trademark Office.

12 Q. Did you do that personally?

13 A. Yes.

14 Q. So that was the trademarks. Any other  
15 intellectual property that was transferred?

16 A. Well, now, I'm trying to think if there were  
17 copyrights that were transferred as well. I don't  
18 recall.

19 Q. But the goal when you were retained was to  
20 move all of the intellectual property owned by the  
21 GGW entities to Path Media Holdings?

22 A. Right. If you look at the engagement letter  
23 is one of the offshore entities -- for the purpose of  
24 acting as the holder of your IP, correct.

25 Q. You in fact did complete that process?

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1 the website to reflect as to who now owned the  
2 intellectual property, right.

3 MR. PFISTER: I'm going to mark as  
4 Exhibit 170 and 171, two unanimous written consents --  
5 I'm sorry. Pardon me, 171 and 172.

6 (Deposition Exhibits No. 171 and 172 were  
7 marked for identification.)

8 BY MR. PFISTER:

9 Q. I believe that the two of them, Exhibits 171  
10 and 172, are identical, except one is GGW Brands, LLC,  
11 and the other one is GGW Events, LLC.

12 A. Well, they differ more than that. 172 is the  
13 consent of the member of GGW Events, and it is adopted  
14 by GGW Brands, the member of GGW Events. 171, which  
15 is the consent of GGW Brands, it is the consent of its  
16 member, Pablo Holdings.

17 Q. Did you prepare both of these documents?

18 A. Yes.

19 Q. Is your signature on the second page of each?

20 A. Yes.

21 Q. What's the purpose of this unanimous written  
22 consent?

23 A. This was dated October 12th. I was working  
24 right out of the box, I'll tell you. I believe this  
25 was for the purpose of enabling these two entities to

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1 open bank accounts at Wells Fargo.

2 Q. Do you know where they had their bank  
3 accounts before?

4 A. I would be guessing. I don't know.

5 Q. Is there any reason -- I mean, both of these  
6 entities existed obviously before you engaged them.

7 A. Yes.

8 Q. Any reason in connection with what you were  
9 doing to change the bank accounts?

10 A. You mean, why did they want to open up bank  
11 accounts?

12 Q. Right.

13 A. I don't recall. You know, I can speculate  
14 that they may have obviously had a falling out with  
15 their bank or they just didn't like the service that  
16 they were getting at their bank.

17 Q. To your knowledge, it has nothing to do with  
18 the asset protection or --

19 A. No, it didn't.

20 Q. Now, the "Further resolved" right under  
21 "Resolved," it reads, "Joseph R. Francis is a key  
22 executive of the company. As such he is hereby  
23 authorized to act as signatory for the company fully  
24 empowered and authorized to make deposits,  
25 withdrawals, execute instruments, signature cards

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1 indentures and contracts of whatever nature related to  
2 the company's bank account with Wells Fargo, N.A., and  
3 bind the company thereby." What's the purpose of  
4 that?

5 A. I do recall that. This language in this  
6 "Further resolved," this was drafted to satisfy  
7 somebody at the bank, who was not familiar with  
8 limited liability companies. You still have these  
9 people. And, you know, somebody at the bank was  
10 asking, well, is he the president of the company? No,  
11 he's not the president of the company. He doesn't  
12 have a president. And this person was saying, well,  
13 you know, he's got to be some sort of an executive in  
14 the company in order to be a signatory.

15 So I said to the person at the bank, well, if  
16 I just draft these to reflect the fact that he is a  
17 key executive of the company, will that work? And the  
18 banker said yes. So I said done.

19 Experience is a great teacher. You don't  
20 learn that stuff in law school.

21 Q. One of the things we talked about a little  
22 bit earlier was the cleanup of some of the old  
23 entities.

24 A. Yes.

25 MR. PFISTER: I'm going to mark as

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1 I mean, they've got essentially one creditor  
2 that I know of. I don't get it.

3 Q. Do you know Bob Yaspan, Y-a-s-p-a-n? He's in  
4 Woodland Hills. He was their bankruptcy lawyer who  
5 filed the case.

6 A. No, I don't believe I do.

7 MR. PFISTER: I think I'm almost done. Why  
8 don't we just take a quick five-minute break and let  
9 me just confer with Jonathan here and make sure I  
10 didn't miss anything.

11 THE WITNESS: Okay.

12 MR. PFISTER: Off the record.

13 (Recess.)

14 MR. PFISTER: I have no more questions.  
15 Thank you so much for your time.

16 (Discussion held off the record.)

17 MR. PFISTER: Back on the record. We've  
18 reached a stipulation: The witness is going to waive  
19 the right to read and sign the transcript; is that  
20 correct?

21 THE WITNESS: That is correct.

22 MR. PFISTER: Thank you. Off the record.

23 (Signature waived.)

24 (Deposition concluded at 3:38 p.m.)

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1 STATE OF CALIFORNIA )  
2 ) ss.  
3 COUNTY OF LOS ANGELES )

4  
5 I, KAREN ALIGO, CSR NO. 13418, do hereby  
6 certify:

7 That prior to being examined, the witness  
8 named in the foregoing deposition, ROBERT F. KLUEGER,  
9 was by me administered an oath to testify the truth,  
10 the whole truth, and nothing but the truth;

11 That said deposition was taken before me at  
12 the time and place therein set forth and was taken  
13 down by me in shorthand and transcribed into  
14 computer-generated text under my direction and  
15 supervision; and I hereby certify the foregoing  
16 transcript of my shorthand notes so taken.

17 I further certify that I am neither counsel  
18 for nor related to any party to said action nor in any  
19 way interested in the outcome thereof.

20 IN WITNESS WHEREOF, I have hereunto  
21 subscribed my name this 27th day of May 2013.

22 *Karen Aligo*  
23

24 KAREN ALIGO, CSR No. 13418  
25